

STATEMENT OF SENATOR JOHN McCAIN  
CHAIRMAN, SENATE COMMITTEE ON  
COMMERCE, SCIENCE, AND TRANSPORTATION  
FULL COMMITTEE HEARING  
ON ANTITRUST ISSUES IN THE AIRLINE INDUSTRY  
JULY 27, 2000

- C Today's hearing will address the role that antitrust laws play in keeping the airline industry competitive. We are fortunate to have two distinguished witnesses with us to discuss these matters. Assistant Attorney General Joel Klein is considered an activist in terms of antitrust enforcement. His Antitrust Division has tackled many challenging and controversial cases in the last few years. Professor Alfred Kahn is frequently referred to as the "father" of airline deregulation. His efforts set in motion a dramatic change in the part that air transportation plays in our country. He is also one of the most thoughtful and well-regarded experts on the airline industry. I am grateful to both gentlemen for being here. Welcome.
- C The airline industry has reached a critical stage in its development. More than twenty years have past since deregulation and the major airlines have matured into relatively productive networks. For all their flaws in areas such as customer service, the airlines have helped transform air travel from a privilege for the few into a necessity for the many. It hasn't been easy, but most U.S. airlines have become strong and efficient.
- C Recent developments in the industry raise questions about where the industry will go from here, and how it will get there. Consolidation is one of the most pressing issues. If the proposed United Airlines and US Airways merger is approved, most everyone believes that there will be further mergers, leading to three mega-carriers. I cannot think of any marketplace that works better for consumers with fewer competitors. Apart from the ability of three bigger carriers to wield significant market power, especially at hub airports, new entry would probably become more difficult in a more concentrated industry.
- C As everyone is aware, Senator Gorton and I have introduced a Senate Resolution expressing our strong reservations about the proposed merger of United Airlines and US Airways. Through the deliberations of this Committee, we have carefully analyzed the proposed merger, as well as its long-term consumer effects. We have concluded that whatever air travelers stand to gain from the merger is outweighed by what they stand to lose.
- C Although we felt compelled to make our views known, we are fully aware that this issue is now in the hands of the Departments of Transportation and Justice. For obvious reasons, Assistant

Attorney General Klein cannot comment on the particulars of the merger or other specific matters pending before the Antitrust Division.

- C In addition to consolidation concerns, other important issues facing the industry include collaborations among the major airlines, and predatory behavior on the part of individual carriers. Just last week, the Committee held a hearing on how the Internet is having an impact on the industry. Much of the attention focused on Orbitz, the Internet travel agency formed by five major airlines. As a general matter, we want the airlines to compete at all levels. When they work together on the sales of tickets, it harkens back to the abuses of the computer reservation systems. But Orbitz may inject competition in the channels of ticket distribution, where it has been lacking.
- C Predatory behavior is a troubling phenomenon that can be difficult to get a hold of. At the risk of stealing some of his thunder, I note that Professor Kahn has spoken out on predatory behavior by the major carriers. He was quoted last year as saying, "If I had to choose between encouraging low-fare entry like the kind that has benefited the public with low prices, and the unencumbered ability of major airlines to respond to low-cost competition . . . , I will pick the first every time." I tend to agree with him.
- C Once again, I welcome our witnesses. I look forward to continuing our dialogue on issues that are crucial to the future of air transportation in the United States.